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T, TREASURY FOR BURKE, NEA, INR, EEB, S/CT, INL, ISN\CPI
FOR MCGEEHAN, EEB\ESC FOR COULTER, ISN\CPI FOR CHALMERS

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TAGS: [PARM](#) [PREL](#) [EFIN](#) [KNNP](#) [IR](#) [CG](#)

SUBJECT: GERMANY SEES FATF LEVERAGE WITHIN G-20 CONTEXT;
CLAIMS SOUTH KOREA ASSISTING WITH IRANIAN TRANSACTIONS

REF: A. STATE 115523

[1](#)B. STATE 121356

Classified By: A\EMIN Ingrid Kollist for reasons 1.4(b) and (d).

(S) Summary. Germany has implemented the FATF's call for action domestically and intends to pursue further discussions in the G-20 framework. It intends to refresh the 2000-2004 process of developing a "black list" of states that are noncompliant with FATF standards. Germany claims their recent research shows that large South Korean banks now process Iranian transactions and that some may be taking steps to hide their Iranian origins. End summary.

Germany's Implementation of FATF Statement

[1](#)2. (C) Emboff met Michael Findeisen, German Finance Ministry Office Director and delivered Ref A and B points on the FATF.

Following the recent FATF statement on Iran and Uzbekistan, Germany's financial regulator, BaFin, notified all German banks and financial institutions about the risks posed by transactions to and from Iran and Uzbekistan "in terms of money laundering and terrorist financing". The notification urges enhanced customer due diligence in business relations with banks, people or companies in these two countries. It also urges a review of correspondent banking relationships with banks in Uzbekistan and Iran and requires banks to make an affirmative decision on whether to continue or terminate existing relationships.

[1](#)3. (C) Findeisen stated that Germany's next steps on leveraging the FATF statement into national action involve the G-20. Specifically, Germany intends to combine the discussion on Iran and FATF measures with a broader discussion, within the G-20 process, to attempt to limit offshore transactions and to rein in other countries harboring or promoting anonymous transactions. Iran is a subject of this discussion, he said, due to its failure to comply with FATF standard procedures.

[1](#)4. (C) Findeisen argued that there are links between tax evasion and money laundering. Germany will, therefore, utilize measures similar to those taken by the U.S. in the past against banks such as UBS. He added that France will also consider measures within the FATF framework. The FATF is the proper vehicle for action, Findeisen said, as it has available to it sanctions aimed at both banks and states. With respect to BHF Bank, Findeisen stated that Germany is seeking a "harmonized position" with France and the UK for addressing these concerns.

Possible South Korean Role in Iranian Transactions

15. (S) When discussing Ref B points and recent U.S. actions to cut off u-turn transactions involving Iran, Findeisen described the resulting situation as being "possibly very interesting". Germany, he said, has conducted its own research on how Iran processes transactions abroad. He claimed that South Korea has emerged as home to the bulk of Iran's euro clearing transactions. Further, he asserted that South Korea's "largest merchant bank" (whose name he could not recall) falsifies information on so-called "SWIFT messages" to obscure the Iranian origin or destination of funds.

TIMKEN JR